



Covered Region
Latinamerica

IP Services GmbH

Gabriel-von-Seidl-Str. 30 B
82031 Grünwald b. München
Germany

tel +49 (89) 649 489 0
fax +49 (89) 649 489 20
mail@e-ips.net
www.e-ips.net

SOUTH COMMON MARKET TREATY

Category:	MULTILATERAL TREATY
Status:	IN FORCE
Country / ies:	ARGENTINA BRAZIL PARAGUAY URUGUAY
Treaty:	Treaty establishing a Common Market between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay.
Signed in:	Asunción, Paraguay
Date of signature:	26/March/1991
Entrance in force:	29/November/1991
Member states:	Argentina, Brazil, Paraguay, Uruguay
Associate states:	Bolivia, Chile, Andean Community

MERCOSUR AND INTELLECTUAL PROPERTY TODAY AND THE FUTURE

Mercosur or “Mercado Común del Sur” (South Common Market) is an economic community formed by Argentina, Brazil, Paraguay and Uruguay, since 1991¹, Chile (1996) and Bolivia (1997) being adhering members thereto. Likewise, Economic Complementation Agreements have been entered into with Peru (2003), Colombia, Ecuador and Venezuela (2004) and Mexico (2002).

As a result of the Treaty of Asunción signed on March 26, 1991, there is a Customs Union between said countries, with Common External Duties, the objective of said Treaty being the creation of a Common Market.

Background and Regulatory Development

The support to trade and relationships among these countries proves to be natural on account of their being so near and of their cultural similarity. Among remote antecedents of Mercosur, reference can be made to bilateral negotiations held since colonial times (1851 - 1854)² and, more recently, the Economic Complementation Agreements entered into said members and signed within the scope of the ALADI (Latin American Association for Integration)

¹ It comes into effect for the four countries on December 15, 1995.

² 1941 Conference of the Plate Countries (“Conferencia de Países del Plata”), where a Customs Union was attempted among the four countries of the Plate Basin (“Cuenca del Plata”)

Thus, the Treaty of Asunción was finally executed in 1991, and this is a frame agreement, i.e. it sets the foundation for economic integration by fixing terms therefor, and to which effect, additional regulatory protocols are then to be signed.

The objectives derived from the frame agreement are free trade in goods, services and productive factors¹, the creation of common external duties for country members, as well as the adoption of a common commercial policy regarding third party countries.

Likewise, there is a need to coordinate macroeconomic and sectorial policies, the harmonization of national legislation being of essential importance in this regard.

Within this framework, on December 17, 1994, The Protocol of Ouro Preto was signed, whereby Mercosur was given a legal capacity under international law and received an institutional structure. The Common Market Council (CMC) is the highest body formed by the Ministries of Foreign Affairs and Economy of each country member and has managerial and decision-making duties; the Common Market Group (CMG), the executive body formed by four permanent members, passes Resolutions; the Administrative Secretariat is the operations-supporting body; the Trade Committee assists the GMC, the Economic-Social Executive Forum is formed by the representatives of economic and social sectors and the Joint Parliamentary Commission, which is in charge of facilitating the practice and effective enforcement of the community decisions at a national level.

Further, a system for the settlement of disputes was created, which started at the Protocol of Brasilia in December 1991 and was reviewed by the Olivos Protocol signed on February 18, 2002, though it has recently become effective on February 10, 2004. An important aspect of the Olivos Protocol is the creation of the Permanent Revision Court made up by five members with whom any of the parties concerned could file an Appeal for Revision against a decision by the Arbitration Court Ad Hoc.

On December 1996, an Agreement was signed by Mercosur and Uruguay, whereby the Mercosur Administrative Secretariat was established in Montevideo.

Thus, a complex framework of decisions and bodies has been finally established, which will achieve integration and will enforce the proposed objectives.

Incorporation and Harmonization of Rules

The agreements entered into between Mercosur and other economic blocks, such as the Andean Community², the European Community³, the NAFTA⁴ and Asian countries like India, as well as the coordination of policies in order to establish an American Free Trade Area ("ALCA"), turns Mercosur into an attractive market for the development of financial and commercial operations.

¹ art. 1 Treaty of Asunción.

² Economic Block formed by Colombia, Peru, Ecuador, Venezuela and Bolivia. Frame Agreement for the Creation of a Free Trade Zone between the Andean Community and Mercosur (April 1998), Economic Complementation Agreements No. 39, 48, 56, 58, 59.

³ Cooperation Interregional Frame (December 1995)

⁴ Economic block formed by United States of America, Canada and Mexico. Economic Complementation Agreement No. 54, 55

80% of major Latin American companies are established within the Mercosur territory. The inter-regional trade value tripled since the beginning of operations and commerce with third parties increased from US\$ 67 to 120 billion during the same period.

Since the year 2003, and after slowing-down its pace during the last years, particularly because of the economic crises suffered by each of the country members, the Mercosur has recovered its power and has emerged with a stronger impulse, which resulted in a better enforcement of the agreements at the national level, revision and analysis of already existing agreements, as well as the filing of applications by several American countries to enter the same as adhering members, including Mexico. This new impulse, accompanied by the weakening of the major economies and the incorporation of new members to the European Community – which will lead to reorganization programs – makes Mercosur an attractive market on a future basis.

As an imperative need for an harmonized integration, we observe the efforts made by national legislations to adjust to regional objectives. Thus, we find Protocols and Regulations in that sense, such as the Colonia Protocol for the Reciprocal Promotion and Protection of Investments¹, Agreement on Rules of the Protocol for Competence Defense², etc.

Such tendency can be also appreciated as related to Intellectual Property matters, as shown by the following Protocols signed by the Mercosur country members.

- Protocol on Harmonization of Intellectual Property Rules in Mercosur, regarding trademarks, indications of source and designations of origin. Decision No. 8/95, signed in Paraguay on August 5, 1995.
- Protocol of Harmonization on Industrial Design Matters. Decision No. 16/98, signed in Rio de Janeiro on December 10, 1998.
- Agreement on Cooperation and Assistance on Protection of Obtained Vegetal Species in Mercosur country members. Decision No. 1/99, signed in Asunción on June 15, 1999.

Industrial Property in Mercosur

- ***National Legislations***

After adhering to the TRIPs (Trade Related Industrial Property Aspects), derived from the GATT Uruguayan Round, the Mercosur countries had to adjust their national legislation to the provisions contained by this treaty.

ARGENTINA: Trademark Act No. N° 22.362 dated December 26, 1980³. Within Mercosur countries, this is the oldest legislation, which is prior even to the TRIPS agreement, though it has included from the beginning some amendments contained by this agreement.

¹ Signed on January 17, 1994.

² Signed on December 5, 2002.

³ Regarding Patents Act 24.481 – Revised Text 24.572, amended by Act 25.859.

BRAZIL: Industrial Property Act N° 9.279 dated May 14, 1996¹. This legislation provides for a definition of trademark, the right obtained by registration and by use, and sets forth that the registrant holds a priority right over someone who does not hold any registration in the same field. Distinctive signs are those trademarks or visually perceived signs (Art. 122), a concept noticeably different from that applicable in Uruguay, where we include signs, which can be smelt or heard. Trademarks are distinguished by their origin (applicant's domicile), either Brazilian or foreign, by their use, goods or services, collective or certification marks. There are four kinds of trademarks: word marks, design marks, mixed and three-dimensional marks. Use is required to keep a trademark in force. Like in other legislations, the right derived from widely known trademarks are also acknowledged.

PARAGUAY: Trademark Act No 1.294 dated August 6, 1998². The Paraguayan Parliament enacted this new law passed by the Executive Power, and on August 14, 1998, the corresponding Regulatory Decree No. 22365 was passed. This legislation introduced important changes regarding obtention, maintenance and enforcement of trademark rights. As a summary, we must indicate that this law introduces a wider idea of what a trademark should be, by including shape and appearance of products or services. The concept of widely known distinctive signs is enlarged regarding confusing similarity, but also as to association and dilution of trademarks. Third party's rights are also protected as registration shall not be granted on those trademarks already applied for or registered by those who fail to hold a legitimate interest or who should have known that the trademark already belonged to a third party.

Regarding requirements, legalization of powers of attorney for any administrative procedures within the Industrial Property Bureau is no longer necessary. The international concept of right exhaustion is taken. One of the biggest news relates to lapsing on account of non-use of a registered trademark. Concerning enforcement of rights, provisions are being adopted in order to reinforce protection to trademark holders (imprisonment, preliminary measures, frontier measures).

URUGUAY: Trademark Act N° 17.011 dated September 15, 1998³. After more than 58 years, a new trademark law was approved in Uruguay. We will cite some of the amendments introduced by this new legislation. For the first time, a definition of trademark is given, whereby the non-visible signs were included and a difference is established between absolute and relative nullities. The registration of slogans is allowed and the concept of "secondary meaning" is also accepted, and further, Art. 38 provides for the registration of collective trademarks (applied for by association of industrial or commercial producers) and certification marks (Art. 44). Another amendment relates to the creation of a register for Trademark Licenses, whereby licenses shall be valid for third parties by virtue of registration or recordal thereof with the National Bureau of Industrial Property. After many years of discussions, the subject of parallel imports and right exhaustion was also settled. This Act keeps some provisions contained in Act No. 9956, 1940, concerning the fact that use is not required in Uruguay for application, renewal or maintenance of a trademark registration. Of utmost importance is the chapter referred to geographical indications and names of origin. A

¹ Act No. 9.279 creates the Industrial Property Code, which also contains patent regulations.

² Paraguay approved Patent Act No. 1630, which came into force on January 29, 2001. The same as in Uruguay, the granting of patents on pharmaceutical products was postponed, in this case, until January 1, 2003.

³ Uruguayan Patent Act N° 17.164 dated September 2, 1999, postponed the granting of patents on pharmaceutical products until November 1, 2001, and, therefore, examination procedures were already started in order to have such patents finally granted.

geographical name can constitute a trademark when the same does not lead consumers to think that the same refers to origin of the product involved.

- ***Mercosur Rules***

In turn, these countries executed the Protocol of Harmonization of Intellectual Property Rules in Mercosur in Asunción, Paraguay, on August 5, 1995.

The Protocol regulates the following aspects –among others:

- National treatment among nationals of the country members.
- Definition of trademark and description of non-registrable marks.
- Effective term of trademark registration
- Free circulation within Mercosur territory
- Trademark use requirements and scope thereof.
- Use of the International Nice Classification for Goods and Services.

This Protocol was approved in Paraguay on January 8, 1996, by Act No. 912 and in Uruguay by Act No. 17052 dated December 14, 1998, and effective date for both these countries was August 6, 2000, pursuant to Article¹ of the said agreement.

Argentina and Brazil have not ratified this Protocol.

- ***Uruguay, legislation and Harmonization Protocol.***

Uruguay approved the Protocol of Trademark Harmonization of Mercosur by Act No. 17052 in January 1999.

This is the first international treaty – with the force of a law – approved by Uruguay within the Mercosur community legislation on Industrial Property.

In that regard, and some remarks are to be considered

¿Does an international treaty or agreement prevail over a national legislation? Contrary to what is the case in some jurisdictions, in Uruguay international treaties enjoy the same hierarchy as local law. In fact, international treaties should be ratified by a legislative act leading to the passing of a law, which incorporates the treaty. Though there are many theories regarding the relationship existing between an international treaty and internal laws, in this sense it is important to analyze the position adopted by Uruguay and, in particular, how Courts have proceeded regarding legal provisions to be applied.

Contrary to what happened with the Paris Convention¹, some time after the Protocol was signed by the Executive Power, the Uruguayan Courts enforced for the first time the Trademark Community Law in Uruguay to fight “trademark piracy”.

¹ "This Protocol – a part of the Asuncion Treaty – will become effective for the first two countries ratifying the same thirty days after filing of the second ratification instrument..."

Courts have applied these provisions in cases of trademark misappropriation, when such trademarks belong to nationals of Mercosur country members. It is to be noted that even before this Protocol became effective, the value and effect of these regulations were known in advance through judgments passed by Contentious Administrative Courts.

Such judgments invalidated resolutions whereby trademarks had been granted, when such trademarks wholly or partly reproduced trademarks already registered in any other Mercosur country member, and which the applicant should have known as belonging to a holder domiciled or residing in any of the MERCOSUR countries. In such cases, the legitimate trademark holder had failed to have the trademark at stake registered in Uruguay in due course.

- **Aspects Related to Harmonization of Intellectual Property regulations contemplated by the Protocol.**

There still are legislative inconsistencies among the country members of MERCOSUR, such as related to impossibility of requesting cancellation of a trademark registration on account of non-use, when such trademark is being used in any of the country members. This issue constituted the main grounds invoked by Brazil when refusing to ratify the Protocol, together with multiple class applications and the need or not to have documents legalized and/or certified,

Of all differences found, the trademark use requirement may be the most important and the one requiring a particular analysis.

The following comparative chart shows differences in that regard:

ARGENTINA	BRAZIL	PARAGUAY	URUGUAY
<p>Trademark use is required.</p> <p>It is not necessary to give evidence of use for renewal procedures, but the trademark involved must be used, even in a class other than that in which the trademark is to be renewed.</p> <p>Cancellation on account of non-use for 5 years since</p>	<p>Mandatory use.</p> <p>Cancellation on account of non-use for 5 years since registration</p> <p>Partial cancellation is possible</p>	<p>Mandatory use.</p> <p>Cancellation requested by the party concerned when: Use has not been commenced within five years from registration, when use has been discontinued for more than 5 consecutive years, when the trademark has been substantially altered.</p> <p>IMPORTANT: Paraguay has adopted the international</p>	<p>Use of a trademark is not required</p>

¹ Cita Rippe "Especialización en Derecho Comercial": In 1984 The Supreme Court of Justice denied that the Paris Convention was part of the national legislation, and only in 1986 the Treaty is finally accepted and provisions thereof are directly applied.

<p>registration.</p>		<p>concept of use, i.e. use of a trademark in any country of the world prevents cancellation of that trademark.</p>	
----------------------	--	---	--

Though the Harmonization Protocol clearly establishes that a trademark right is acquired by registration, Art. 8 of the Protocol refers to use of the trademark: *“Priority for the registration of a trademark shall be granted to the person who first requests it, unless that right is claimed by a third party who has used the trademark in a public, peaceful way and in good faith, in any of the Party States, during a minimum term of six months, provided that upon presenting his objection he [also] requests the registration of the trademark”.*

Likewise, Articles 15 and 16 of the Protocol also refers to that subject, as they provide for the possible cancellation of registration on account of non-use of the trademark and for the mandatory use of a trademark: *“Cancellation of a Registration Due to Lack of Use of the Trademark. In those Party States in which there exists an obligation to use the trademark, upon request by any interested person and after the patentee has been granted a hearing, a competent **authority may cancel the registration of a trademark when it has not been used in any of the Party States** during the five years preceding the date on which the cancellation action was filed. The request for cancellation shall not be admitted before five years have passed after the date of registration of the trademark. The registration [of a trademark] shall not be canceled when the respective competent authority believes there are reasons that justify the lack of use [of the trademark]. Where there is an obligation to use the trademark the Party States may provide for the partial lapsing of the registration when the lack of use affects only one or several of the products or services distinguished by the trademark.”* (Article 15).

“The Party States in which there exists an obligation to use the trademark declare that the criteria regarding the obligation to use the trademark shall be established by common agreement of the [respective] competent national authorities. The use of the trademark in any of the Party States shall constitute sufficient [grounds] to prevent cancellation of the registration requested in any of [the Party States]. The burden of proof regarding the use of the trademark shall be borne by the owner of the trademark”. (Article 16)

Then, the required use and the cancellation for lack of use depend on the prior existence of such requirement under the national legislation of each country involved, and no uniform criterion is established regarding all country members of the Protocol. However, the Protocol sets forth that use of the trademark in any country member, regardless whether they require such use or not, shall be sufficient to prevent cancellation of the trademark registration for that reason.

- **Protocol Amendment and Future Harmonization on Intellectual Property**

The Intellectual Property Committee of the Working Sub-group 7 “Industry” of the Mercosur, has been holding meetings related to the analysis of possible amendments to Common Market Council Decision No. 8/95 “ Protocol of Harmonization on Industrial Property Rules in MERCOSUR as related to Trademarks, Indications of Source and Designations of Origin”, which contain proposals made by the different participant delegations.

One of the largely discussed aspects of the new Protocol project and which is being analyzed by Sub-group No. 7, refers to the already mentioned use requirement, and, particularly, to the possibility of preventing or not cancellation of a trademark registration on account of lack of use, when the trademark involved is used in any of the Mercosur country members.

Though studies about the proposed regulations have considered that the existence of a free trade zone would not be consistent with the fact that use of a trademark in the territory of any of the country members may not prevent cancellation of a trademark registration on account of non-use, doubts have arose regarding compatibility of that solution with the “national treatment” principle under Art. 3 of TRIPS, and, on the other and, regarding the “most favored nation” rule. (MFN)

The fact is that until a new Protocol of Harmonization on Intellectual Property in MERCOSUR is not ratified by Argentina and Brazil, there will be no effective harmonization and existing differences will not be corrected among legislations of the country members of the treaty.

A special thought should be given to the importance an eventual community trademark within Mercosur will have for trademark holders and consumers. This matter is exemplified in an article published in “La Voz del Interior” – from Cordoba, Argentina-, which states that *“The same trademarks being original in Argentina can have a twin trademark as to word or logo regarding any trademark already existing in another country... The one million question: Is there any certainty that registered trademarks for goods and services in Argentina are not already registered in another country? Without intending to raise any doubts, it is to be noted that the same trademarks that were so originally registered in Argentina can resemble an already existing one fully supported by the laws in a near or remote country. What does that mean for exporters or those attempting to export? As a first step, pressure should be exerted to launch a MercoMark or Mercosur Trademarks (similar to the community trademarks from the European Economic Community) to avoid inconveniences among production sectors in the Southern Cone, for example”*

Likewise, the “Gazeta Mercantil Latinoamericana”, of October 2000, published an analysis on this subject in the article entitled “Las marcas causan discusión en el bloque” (Trademarks Cause Arguments in the Block), which analyzed the Protocol of Harmonization and particularly referred to the slow pace with which national Parliaments were discussing the treaty and enforcement thereof. That same article stated that *“even when protocols were ratified, a unified registration of trademark and patents within the block would not occur at a short term”, and further that “the unified registration of trademarks and patents shall become unavoidable in the future, provided we are willing to have a Mercosur common market. However, that will take at least ten years”.*

There is no doubt about the importance – regardless of the time taken to that effect – the effective harmonization on industrial property matters in MERCOSUR will have for the legitimate trade among country members and for the legal security sought by businessmen and industries from country members and outside the region, as well as for consumers, regarding a trademark corresponding to a product expected to have free circulation within MERCOSUR. At the present stage of the integration process, a businessman or industrialist cannot and should not ignore trademarks owned by the nationals of the other MERCOSUR country members.

By virtue of the characteristics of the countries being members of the MERCOSUR (same language, except for Portuguese, similar ethnic and religious cultures), as well as the minimum differences to be solved in order to reach an agreement on the intellectual property field, and



considering the huge difficulties the European Union countries have managed to overcome, we can already visualize a future MERCOSUR community trademark.

The practical fulfillment of an intention to make commerce more agile within the borders of the Mercosur country members and, finally, to achieve a real Common Market, will only be attained as a result of a deeper process aimed at the harmonization and adjustment of differences, which will favor the interests of citizens from the country members and of the legitimate holders of Intellectual Property rights.

Source: Dr. Gustavo Fischer, Fischer Abogados, Montevideo, Uruguay.
Verifier: Moeller & Co., Buenos Aires, Argentina.